Contemporary Economic Issues

Confronting the Filipinos Entrepreneur

GROUP 5

Chapter 5

LEARNING OBJECTIVES

At the end of this chapter, the learners will be able to:

1. identify the characteristics of an entrepreneur;
2. analyze the effects of contemporary issues such as exchange rate and unemployment in our economic condition;
3. understand investment and the kinds of investment; and
4. discuss the meaning and importance of rentals.

What is Entrepreneurship?

- Is the capacity and willingness to develop, organize, and manage a business venture along with any of its risks in order to make a profit.

-It tries to identify the needs of the marketplace and to meet those needs by supplying a service or product.

According to Hisrich et al. (2008), the concept of an entrepreneur is further refined when principles and terms from the business, managerial, and personal perspectives are considered.

The three definitions of the exploration of entrepreneurship:

To an economist, an entrepreneur is one who brings resources, labor, materials, and other assets into combinations that make their value greater than before.

To a psychologist, such person is typically driven by certain forces, the need to obtain or attain something, to experiment, to accomplish, or perhaps to escape the authority of others.

To a businessman, an entrepreneur appears as a threat, an aggressive competitor whereas to another business, as well as finds better ways to utilize resources, reduce waste, and produce jobs that others are glad to get.

Additional definitions of Entrepreneurship

Entrepreneurship

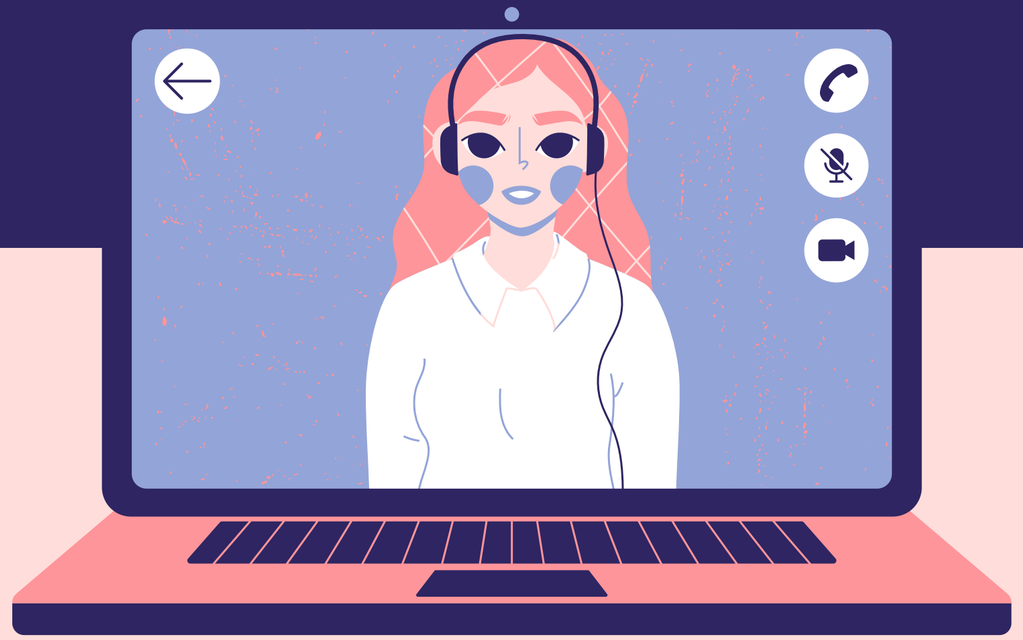
is the dynamic process of creating incremental wealth.

Entrepreneurship

is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risk, and receiving the resulting rewards of monetary and personal satisfaction and independence.You sent Today at 1:56 PMkani lahi napud?

Entrepreneurs and Employees

Greene (2006) tells that an entrepreneur assumes risk. This makes them different from employees. Employees are people who work fjor someone else. Both may make decisions, but only the entrepreneur is directly affected by the consequences of those decisions.



Different reasons why people go into business for themselves:

- Some want to leave the fast-paced corporate environment.

- For others, the benefits of entrepreneurship do not outweight the disadvantages.

Entrepreneurs and Inventors

According to Hisrich et al. (2008), there is great confusion about the nature of an entrepreneur versus an inventor.

Inventors - are people who create something for the first time.

An inventor is a free thinker, a problem-solver able to reduce complex problems to simple ones, with a very high level of self-confidence, willing to take risks, and has the ability to tolerate ambiguity and uncertainty.

An inventor is not likely to view monetary benefits as measure of success.

Let's talk!

CHARACTERISTICS OF A SUCCESSFUL ENTREPRENEUR

Research have identified several characteristics that distinguish successful entrepreneurs from those that fail. Following are the characteristics of successful entrepreneurs (Greene 2006).

1. Successful entrepreneurs are independent.
2. Successful entrepreneurs are self-confident.
3. Successful entrepreneurs have determination and perseverance.
4. Successful entrepreneurs are goal-oriented.
5. Successful entrepreneurs know what they want, and they are able to focus on achieving it.
6. Successful entrepreneurs have a need to achieve and to set high standards for themselves.
7. Successful entrepreneurs are creative.
8. Successful entrepreneurs are able to act quickly.

Types of Entrepreneurial Business

MANUFACTURING

1. Apparel and other textile products
2. chemicals and related products
3. electronics and other electrical equipment
4. fabricated metal products
5. food products

etc.

WHOLESALING

1. apparel
2. electrical goods
3. groceries and related products
4. hardware, plumbing, heating equipment
5. lumber, construction materials

etc.

RETAILING

1. auto and home supply stores
2. building materials and supply stores
3. clothing stores florists
4. furniture stores
5. gift, novelty, and souvenir stores

etc.

SERVICE

1. appliance repair, automotive repair
2. babysitting
3. bookkeeping
4. consulting
5. dance instruction

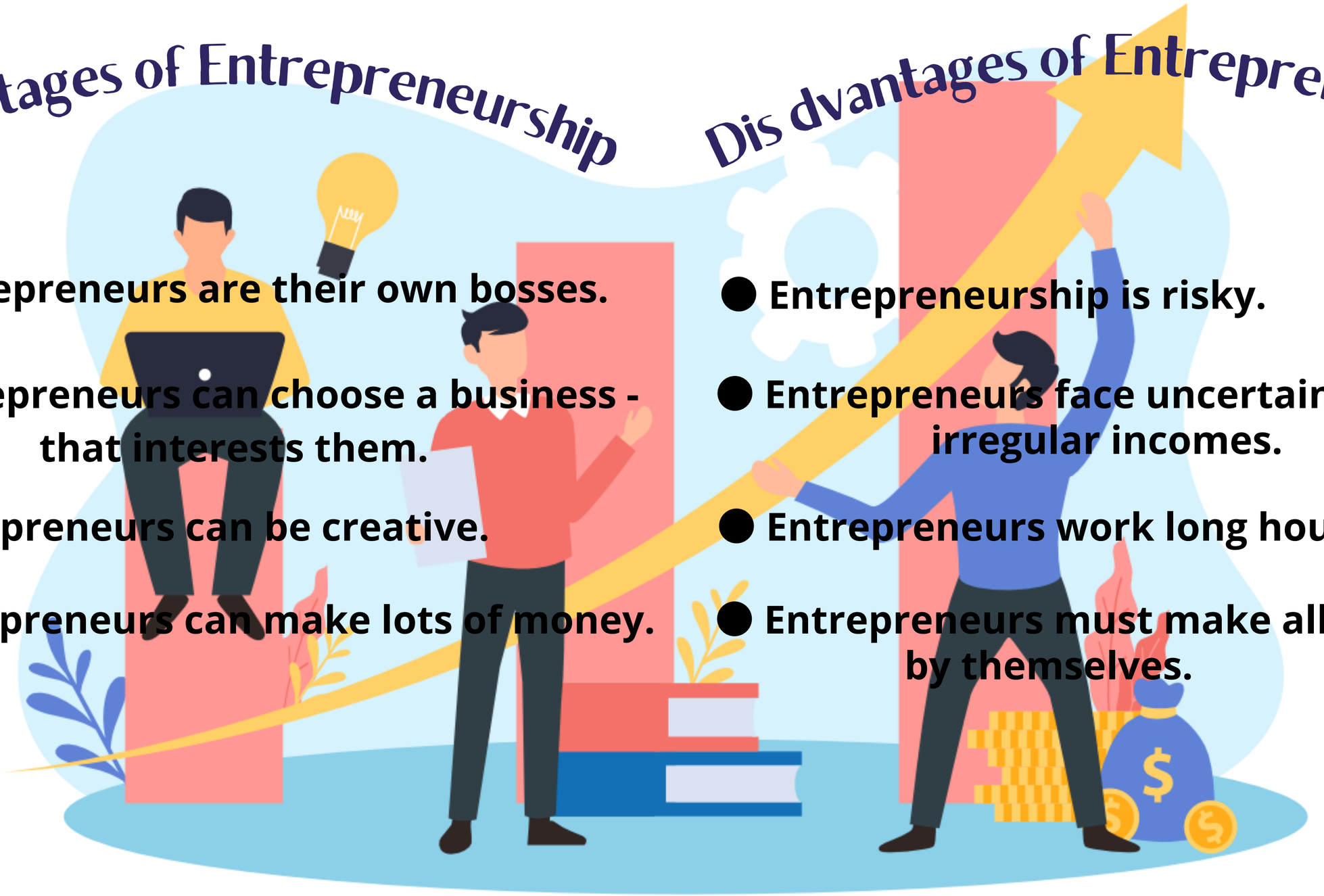
etc.

Advantages of Entrepreneurship

- Entrepreneurs are their own bosses.
- Entrepreneurs can choose a business - that interests them.
- Entrepreneurs can be creative.
- Entrepreneurs can make lots of money.

Dis dvantages of Entrepreneurship

- Entrepreneurship is risky.
- Entrepreneurs face uncertain and - irregular incomes.
- Entrepreneurs work long hours.
- Entrepreneurs must make all decision by themselves.



The Entrepreneurial Process

- is a process of persuing a new venture.

- **Identification and evaluation of the opportunity.**
- **Development of the business plan.**
- **Determination of the required resources.**
- **Management of the resulting enterprise.**

The Importance of a Good Business Plan

- A good business plan must be developed in order to exploit the defined opportunity.

The Role of Entrepreneurship in Economic Development

- According to Hesrich et al. (2008)
- Involves more than just increasing per capital output and income.
- Involves initiating and constituting change in the structure of business and society.

Ethical and Scoial Responsibility of Entrepreneurs

Must take risks with his or her own capita in order to sell and deliver products and services while expanding growth energy more than the average business person in order to innovate.

Entrepreneurs seems to be particularly sensitive to peer pressure and general social norms in the community as well as pressures from their competitors.

Entrepreneurs tend to depend on their own personal system much more than other managers when determining ethical appropriate actions.

CONTEMPORARY ECONOMIC ISSUES

Investments

- the use of savings to become future income.

Different Kinds of Investments

*Accoding Barth and Ramesh L. (2001), there are 2 kinds.

Direct Investments

Examples:

- Business Investments

- refers to accounting assets that are purchased in the hope of making money on their own, as opposed to something like a delivery car for a restaurant.

- Real Estate Investments

- involves the purchase, ownership, management, rental and/or sale of real estate for profit.

Indirect Investment

Saving Account - A common kind of investment. A savings account is an interest-bearing deposit account held at a bank or other financial institution.

Bonds - A bond is a loan an investor makes to a corporation, government, federal agency, or other organization in exchange for interest payments over a specified term plus repayment of principal at the bond's maturity date.

Stocks - When you invest in a stock, you become one of the owners of a corporation. Stocks represent ownership shares, also known as equity shares.

Common Stock

- Is security that represents ownership in a corporation. This form of equity ownership typically yields higher rates of return long term. Capital gain are the profits earned from the sale of stocks, real estate, or other income-producing property.

Preferred Stocks

-Is a type of corporate security that has features of both bonds and common stock. Preferred holders have no legal right to force a corporation to pay them the promised annual term.

Other Kinds of Indirect Investment

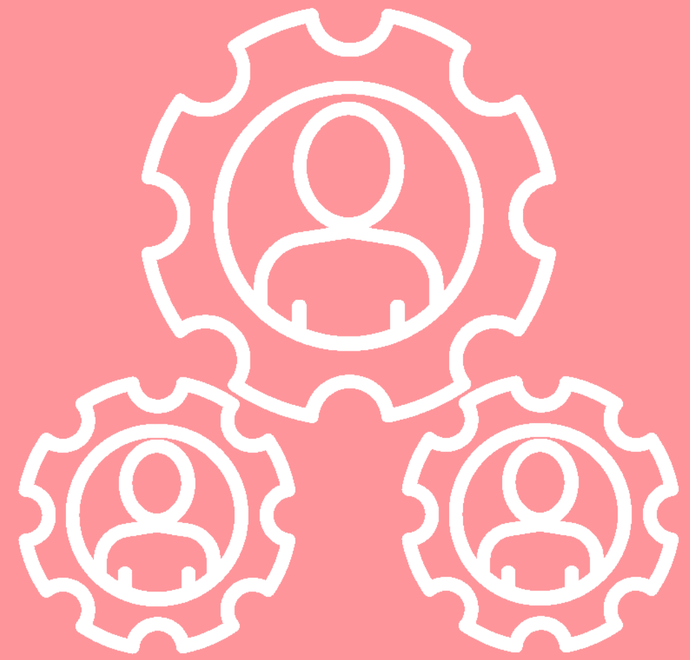
Mutual Funds - A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities.

Life Insurance - Life Insurance companies sell insurance policies that also act as a saving account. They typically buy life insurance to provide financial protection for family members in terms of death.

- **Cash Value** - A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds.

The Buying of Stocks

According to Barth & Ramesh
I...(2001), many people who buy stocks place their order with a brokerage company.



Broker is an entity that facilitates the buying and selling of marketable securities like stocks and exchange-traded funds (ETFs).

In late 1990's a nd early 2000's - The start of buying and selling stocks electronically through computer.

Online Investing - Is also called electronic trading. Online investing is something you can do in seconds but before you do that, be clear about why you are buying or selling and the extent of risk on your investment.

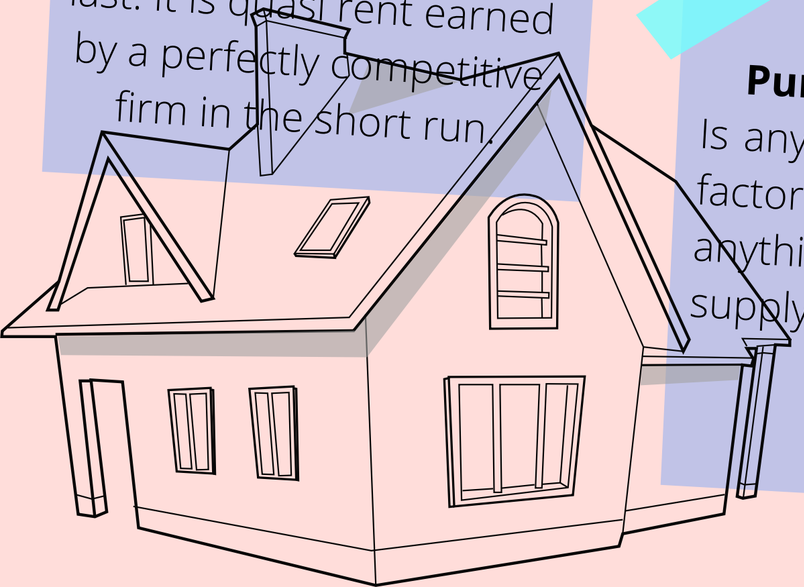
Rent

-The word rent has special meaning in economics.

-Is a payment of a factor of production in excess of its opportunity cost. It is what is paid to any input in more than you would have had to pay it.

Inframarginal Rent

"Infra" means below or under. "Marginal" means at the margin or the end or last. It is quasi rent earned by a perfectly competitive firm in the short run.



Pure Economic Rent

Is any payment made to a factor of production or anything that is fixed in supply

Quasi Rent

In perfect competition, firms sell their product for just what it cost to produce it, so they earn no profit. The price they receive is equal to the marginal cost of producing the goods.

Monopoly Rent

Payment made to monopolists that are more than the minimum that the firm would accept.

Unemployment and Minimum Wage

Unemployment – Is when a person, who is actively searching for employment, is unable to find work. a little bit of body text

Minimum Wage - Is the lowest salary that employers can legally pay their workers.

Types of Unemployment

- **Frictional Unemployment** - It arises when a person is in between jobs.
- **Cyclical Unemploymen** - Cyclical Unemployment rises during recessions and declines during period of economic growth
- **Structural Unemployment** – It comes about through technological advancement, when people lose their jobs because their skills are already outdated.

Thank you!
Have a great Day